



TAXES OF THE STATE OF NEW JERSEY

The following outline provides basic information regarding taxes imposed by the State of New Jersey and administered by the Division of Taxation and the Division of Revenue which a new business may be responsible for collecting and paying.

NEW JERSEY GROSS INCOME TAX (N.J.S.A. 54:A:1-1 *et seq.*)

Personal income tax is imposed on the New Jersey taxable income of resident and nonresident individuals, estates and trusts for taxable years ending on or after July 1, 1976. Residents are subject to tax on all income, regardless of where it was earned, while nonresidents are only subject to tax on income derived from sources within New Jersey.

The withholding requirements apply to every New Jersey employer making payment of taxable wages. For New Jersey Gross Income Tax purposes, the term "employer" includes organizations that may be exempt from Federal income tax or New Jersey Corporation Business Tax, such as religious organizations and governmental agencies.

Generally, anything regarded as "wages" for Federal withholding purposes is subject to withholding for the New Jersey Income Tax. Every taxpayer is required to file a quarterly return of tax withheld (NJ-927) for each calendar quarter. Some taxpayers are also required to file a monthly remittance (NJ-500). Taxpayers classified as "weekly payers" must remit payment of withholdings by means of Electronic Funds Transfer (EFT) on the Wednesday of the week following the week in which the taxes were withheld. Taxpayers not classified as weekly payers must remit the tax withheld with their withholding return either monthly or quarterly, depending on the amount of withholding liability.

RECIPROCAL AGREEMENT (NJ & PA Residents Only)

Under the Reciprocal Tax Agreement, the compensation derived by residents of either state (New Jersey or Pennsylvania) will be subject to income tax only in the state of residence including compensation income derived from sources within the other state.

Compensation that is limited to the provisions of the Reciprocal Agreement means salaries, wages, tips, fees, commissions, bonuses and other remuneration received for services rendered. Businesses or professional income earned by a resident of either state is not covered by the Reciprocal Agreement and is subject to the income tax of the state in which it is earned.

UNEMPLOYMENT & DISABILITY TAXES -

If you are employing, or expect to employ, one or more persons, you should notify the Division of Revenue so that a determination can be made as to whether or not you are subject to the law. Under the law (N.J.S.A. 43:21-19(h1) *et seq.*) it is your responsibility to make the fact known.

Determination of Liability - If you start a business and employ one or more individuals and pay wages of \$1,000 or more in a calendar year, you may be subject to the law.

If you acquire the organization, trade or business, or substantially all the assets of an employing unit which is already subject to the law, you immediately become a subject employer.

If you are subject to the provisions of the Federal Unemployment Tax Act (FUTA) you automatically become subject under the law, unless the services performed are specifically excluded under the New Jersey law. An employing unit is generally subject to FUTA if it had covered employment during some portion of a day in 20 different calendar weeks within the calendar year or had a quarterly payroll of \$1,500 or more.

Note: Agricultural Employers - You are liable for contributions on wages paid to agricultural employees if:

1. You were already a registered employer, or
2. Not registered, you were or became subject to the Law, having paid wages of \$1,000 or more in a calendar year to one or more workers for services performed in a non-agricultural business operation, or

3. You acquired the organization, trade or business, or substantially all the assets of an employing unit already subject to the law, or
4. You are subject to the Federal Unemployment Tax Act, or
5. Not subject under the above provisions, you:
 - a. Paid gross cash remuneration of \$20,000 or more to individuals employed in agricultural labor during any calendar quarter, or
 - b. Employed ten or more individuals in agricultural labor, regardless of whether they were employed at the same moment of time, for some portion of a day in each of 20 different calendar weeks, whether or not such weeks were consecutive.

Special Employers - Under certain circumstances, a crew leader who provides a crew to an agricultural employer, can be considered the employer of the crew for unemployment tax purposes. The agreement between the crew leader and entity must comply with all Federal and State regulations and the crew leader must be registered under the New Jersey Crew Leader Registration Act. For further information contact any Regional Office.

Domestic Employers - In order for you to become subject to the law, you must have paid gross cash wages of at least \$1,000 to domestic labor in a calendar quarter.

The State of New Jersey and its political subdivisions are subject to the law.

SET OFF OF INDIVIDUAL LIABILITY (N.J.S.A. 54A:9-7 *et seq.*)

Public Laws of 1981, Chapter 239, provides the authority for the New Jersey Department of Treasury to apply or cause to be applied any monies due a taxpayer as a Gross Income Tax refund or Homestead Property Tax Rebate, or both, if necessary, toward satisfaction of any indebtedness that the taxpayer may have outstanding to any agency or institution of the New Jersey State Government or the Federal Internal Revenue Service.

CORPORATION BUSINESS TAX (N.J.S.A. 54:10A-1 *et seq.*)

The Corporation Business Tax Act imposes a franchise tax for the privilege of having or exercising a corporate charter, deriving income or doing business, employing or owning capital or property or maintaining an office in New Jersey. The tax also applies to foreign corporations falling into one of the following categories:

- Holding a general Certificate of Authority issued by the Division of Revenue to do business in New Jersey.
- Holding a certificate, license, or other authorization issued by another New Jersey department or agency authorizing it to engage in business within New Jersey.
- Employing or owning capital in New Jersey.
- Employing or owning property in New Jersey.
- Maintaining an office in New Jersey.

Returns are required to be filed on or before the 15th day of the fourth month following the close of the taxpayer's accounting period.

Every corporation must, before commencing to do business in this State, obtain a Corporate Charter from the Division of Revenue.

NEW JERSEY S CORPORATIONS

Chapter 173, P.L. 1993, provides that a corporation may elect to be treated as a New Jersey S Corporation. A corporation may make the election to be treated as a New Jersey S Corporation only if the corporation is or will be an S Corporation pursuant to Section 1361 of the Federal

Revenue Code, and each initial shareholder of the corporation consents to the election and the jurisdiction requirements by submitting the S Corporation election form (CBT-2553).

NOTICE OF BUSINESS ACTIVITIES REPORTING ACT (N.J.S.A. 14A:13-14 to 14A:13-23)

Foreign corporations which carry on any activity or own or maintain any property in this state, unless specifically exempted, must file an annual Notice of Business Activities Report. No report is necessary if the foreign corporation has received a Certificate of Authority to do business in New Jersey or has filed a timely return as required under the Corporation Business Tax or the Corporation Income Tax Acts.

The failure of a foreign corporation to file a timely report may prevent the use of the courts in New Jersey for all contracts executed and all causes of action that arose at any time prior to the end of the last accounting period for which the corporation failed to file a required timely report.

CORPORATION BANKING AND FINANCIAL BUSINESS TAX (N.J.S.A. 54:10A-1 *et seq.*)

Banking and financial businesses that operate as corporate entities are subject to the provisions of the New Jersey Corporation Business Tax Act. For a calendar year operation, a Banking and Financial Corporation Return (BFC-1) is due on the 15th day of April or the 15th day of the fourth month after the close of the fiscal year.

SALES AND USE TAX (N.J.S.A. 54:32B-1 *et seq.*)

A tax is imposed on the receipts from every retail sale or rental of tangible personal property, food and beverage sold by restaurants or caterers, and charges for admissions and occupancies of hotel rooms except as otherwise provided in the Act. The tax is also imposed on the receipts from every sale except for resale of certain services as enumerated in the Act including installing, repairing or maintaining tangible or real property, storage services, telecommunications, direct-mail advertising processing.

Lessor are liable for tax at the time a lease is executed, based on either the purchase price of the property or the total of the lease payments attributable to the lease of the property. Tax must be paid with the next sales and use tax remittance or return due after the lease is executed.

A use tax is imposed on items acquired for use in this State on which a sales tax would be due but has not been paid.

The Law exempts most necessities such as food purchased for home preparation and consumption, prescription drugs, ordinary clothing and footwear, professional and personal services and utilities such as water, steam, and fuel.

The Act further provides tax exemptions for certain items and services when used or consumed under specifically defined conditions or circumstances.

The sales tax is imposed on the consumer; however, every person required to collect any tax imposed by this Act shall be personally liable for collecting and remitting such tax.

Persons required to collect the tax and persons issuing exemption certificates must complete the Registration Application (NJ-REG).

All vendors are required to file quarterly returns (Form ST-50), and some vendors may also have to file monthly returns (ST-51).

A Cooperative Interstate Sales Tax Agreement between the States of New Jersey and New York allows vendors located in either state selling taxable goods or services across state lines to voluntarily register to collect the neighboring states sales tax. Participating New Jersey vendors file combined New York/New Jersey Sales and Use Tax Returns (Forms ST-20, quarterly and ST-21, monthly), employing the same filing requirements established for Forms ST-50/51.

SALEM COUNTY (N.J.S.A. 54:32B-8.45 *et seq.*)

Certain sales made by businesses located in Salem County are taxable at a reduced sales tax rate.

To qualify for the rate, the sale must be made from a place of business regularly operated by the vendor for the purpose of making retail sales at which items are regularly exhibited and offered for retail sale and which is not utilized primarily for the purpose of catalogue or mail order sales. Also, merchandise must be ordered or picked up in person by the purchaser at the place of business in Salem County. Salem County vendors file the ST-450 return.

ATLANTIC CITY LUXURY SALES TAX (N.J.S.A. 40:48-8.15 *et seq.*)

Atlantic City imposes a tax on specified retail sales or sales at retail occurring within the city limits.

"Retail sale" or "sale at retail" is defined to include:

- Any sale in the ordinary course of business for consumption of whiskey, beer or other alcoholic beverages by the drink in restaurants, cafes, bars, hotels, and similar establishments;
- Any cover, minimum, entertainment or other similar charge made to any patron of any restaurant, cafe, bar, hotel or other similar establishment;
- The hiring (with or without service) of any room in any hotel, inn, rooming or boarding house;
- the hiring of any rolling chair, beach chair or cabana; and
- Admissions to any theater, moving picture, pier, exhibition or place of amusement.

Vendors are required to be licensed.

Sales to or by the State of New Jersey or its political subdivisions, sales exempt under Federal law, and sales by a church or bona fide nonprofit charitable association are exempt.

The ST-250 return is required to be filed by vendors on or before the 20th day of each month covering receipts for the preceding calendar month. Taxes are paid by the purchaser to the vendor who remits the tax to the State. Payment accompanies the return.

CAPE MAY COUNTY TOURISM SALES TAX (N.J.S.A. 40:54D-1 *et seq.*)

The Tourism Improvement and Development District Act authorizes qualified municipalities to levy an additional sales tax on predominantly tourism-related retail sales. The retail sales to be taxed include admissions, hotel occupancies, food and drink sold in restaurants, or similar establishments.

To qualify for the additional sales tax, all such retail sales must be taxable under the Sales and Use Tax Act (P.L. 1966, c. 30; N.J.S.A. 54:32B-1 *et seq.*). The local sales tax would "piggyback" onto the State sales tax which would be collected by the Division of Revenue and placed in a special reserve fund to pay principal and interest on bonds and notes issued by the tourism authority for financing tourism promotion activities and projects within the district. Businesses that make sales of tourism related items will file the ST-350 return on a monthly basis.

URBAN ENTERPRISE ZONE (N.J.S.A. 52:27H-60 *et seq.*)

The Urban Enterprise Zone Act authorizes certain tax benefits for businesses designated as "qualified" by the Department of Commerce and Economic Development. These tax benefits are covered under the Sales and Use Tax Act and the Corporation Business Tax Act.

Application can be made with the Division of Revenue for these benefits only after the business has been designated as "qualified" by the Department of Commerce and Economic Development.

STATE OCCUPANCY FEE AND MUNICIPAL OCCUPANCY TAX (N.J.S.A. 40:48E-1 *et seq.*)

As of August 1, 2003, there is a State Occupancy Fee imposed on the rental of a room in a hotel, motel or similar facility, other than for assembly purposes. The rate in all municipalities other than Newark, Jersey City, Atlantic City, Wildwood, Wildwood Crest and North Wildwood was 7% as of August 1, 2003, and is reduced to 5% as of July 1, 2004. The State Occupancy Fee in those specific municipalities remains constant at 1%, except for the Wildwoods, where it is 3.15%. In addition, each municipality may adopt an ordinance imposing a Municipal Occupancy Tax which can be imposed at a rate of up to 1% as of August 1, 2003, and up to 3% as of July 1, 2004.

There is an exemption from the State Occupancy Fee and Municipal Occupancy Tax for rentals by agencies and instrumentalities of the federal government, agencies, instrumentalities and political subdivisions of the State of New Jersey and the United Nations and similar organizations. Holders of an Exempt Organization Certificate (ST-5) are not exempt from the Occupancy Fee or Tax.

All businesses engaged in renting rooms in a hotel or similar facility must file the HM-100 Return by the 20th of each month and report and remit the State Occupancy Tax and the Municipal Occupancy Fee, if applicable. The HM-100 is also available on the Division's website.

ALCOHOLIC BEVERAGE TAX (N.J.S.A. 54:43-1 *et seq.*)

The Alcoholic Beverage Tax Act imposes taxes on alcoholic beverages.

The Alcoholic Beverage Tax is to be paid by manufacturers, wholesalers and other persons licensed by the Division of Alcoholic Beverage Control.

Retail licenses are authorized and issued by municipalities of New Jersey.

CIGARETTE TAX (N.J.S.A. 54:40A-1 *et seq.*)

A tax is imposed on the sale, use or possession for sale or use within New Jersey of all cigarettes. License fees are payable by distributors, wholesalers, manufacturers, retailers and vending machine retailers.

MOTOR FUELS TAX (N.J.S.A. 54:39-1 *et seq.*)

The motor fuels tax applies to sales of gasoline, diesel fuel or liquefied petroleum gas and compressed natural gas used in motor vehicles on public highways.

NOTE: Motor Fuels Use Tax (N.J.S.A. 54:39A-1 *et seq.*) is administered by the New Jersey Division of Motor Vehicles and imposes a fuel use tax on certain commercial and omnibus vehicles. This tax is based on the amount of motor fuels used in their operations within New Jersey. For further information, contact the New Jersey Division of Motor Vehicles, 20 S. Montgomery Street, Trenton, New Jersey 08660 or at www.state.nj.us/mvs/.

INSURANCE PREMIUMS TAX (N.J.S.A. 54:16-1 *et seq.*, 16A-1 *et seq.*, 54:18A-1 *et seq.*, 54:17-4 *et seq.*)

Insurance Premiums Tax applies to premiums collected on insurance risks in this State during the preceding calendar year. The tax applies to every stock, mutual and assessment insurance company organized or existing under any general or special law of this State or any other state or foreign country transacting business in this State.

Taxable premiums of life insurance companies include all gross contract premiums except premiums for reinsurance and annuity considerations, less certain specified deductions. Non-life companies generally are taxed upon gross premiums and assessments except reinsurance premiums less certain deductions.

An annual premium tax return, reporting the tax liability for the preceding calendar year, must be filed and the tax paid by March 1 of each year. The March 1 return must also include a prepayment of the current year's tax liability equivalent to 50% of the prior year's tax liability. An additional prepayment of the current year's liability, also equivalent to 50% of the prior year's tax liability, is due June 1 of each year.

A tax on the premiums for fire insurance written by a company not organized under the laws of New Jersey must be reported and paid to the treasurer of a duly incorporated firemen's relief association in which the fire insurance risk is located by March 1 of each year, covering the preceding calendar year. The company must also report these premiums on the annual premium tax return. A deduction for the amount of tax paid directly to a firemen's relief association(s) applicable to the calendar year covered by the annual premium tax return is allowed.

A tax on the three year average underwriting profits on ocean marine insurance is reported to the Commissioner of Insurance by April 1 of each year.

A tax on premiums charged for surplus lines coverage is collected from the insured by the surplus lines agent.

Insurance companies may also be subject to retaliatory tax under certain provisions in the law (N.J.S.A. 17:32-15, 17B:23-5).

REALTY TRANSFER FEE (N.J.S.A. 46:15-5)

Recording of deeds which transfer title to real property in New Jersey is subject to the Realty Transfer Fee. The fee is collected by the County Clerk or County Registrar of Deeds when the deed is presented for recording in the county in which the transfer of title occurred.

PUBLIC UTILITY FRANCHISE TAX (N.J.S.A. 54:30A-49 *et seq.*)

The Public Utility Franchise and Gross Receipts Taxes apply to persons, co-partnerships, associations, and corporations, other than those specifically exempted, operating as sewerage or water companies or providing sewerage and water service in the State of New Jersey.

Inquiries concerning this tax should be directed to the Public Utility Tax Section of the Division of Taxation at (609) 633-2576.

LOCAL PROPERTY TAX (N.J.S.A. 54:4-1 *et seq.*)

The Local Property Tax is measured by property values and is apportioned among taxpayers according to the assessed value of taxable property owned by each taxpayer. The tax applies to real estate and tangible personal property of telephone and telegraph companies and messenger systems.

The property tax is a local tax assessed and collected by municipalities for the support of municipal and county governments and local school districts. No part of it is used for support of State government.

SPILL COMPENSATION AND CONTROL TAX

(N.J.S.A. 58:10-23.11 *et seq.*)

The Spill Compensation and Control Tax is imposed upon the transfer of petroleum products and other hazardous substances, as determined by the New Jersey Department of Environmental Protection, within New Jersey.

The tax is payable by:

- the operator or owner of the receiving major facility or vessel on a transfer of a hazardous substance from a major facility or vessel; or
- the operator or owner of the transferring New Jersey major facility on a transfer of a previously untaxed nonpetroleum hazardous substance to a nonmajor facility; or
- the owner of a hazardous substance transferred to a public storage terminal from a major facility or vessel.

A major facility is a facility with a storage capacity of 200,000 gallons or more for all hazardous substances, including petroleum products, or a storage capacity of 20,000 gallons or more of nonpetroleum hazardous substances.

The SCC-5 return is required to be filed on or before the 20th day of each month for the preceding month's hazardous substance transfers.

LITTER CONTROL FEE (N.J.S.A. 13:1E-213 through 13:1E-223)

The Clean Communities and Recycling Grant Act, imposes an annual Litter Control Fee on all gross receipts from wholesale sales and on all gross receipts from retail sales of litter-generating products sold within or into New Jersey by each person engaged in business in the State as a manufacturer, wholesaler, distributor, or retailer of such products. **Any retailer with less than \$500,000 in annual retail sales of litter-generating products is excluded from this fee for that calendar year.** Annual returns (LF-5) are required to be filed on or before March 15 of each year.

Litter-generating products are: beer and other malt beverages, cigarette and tobacco products, cleaning agents and toiletries, distilled spirits, food for human or pet consumption, glass containers sold as such, groceries, metal containers sold as such, motor vehicle tires, newsprint and magazine paper stock, nondrug drugstore sundry products, paper products and household paper other than roll stock and wood pulp, plastic or fiber containers made of synthetic material and sold as such, soft drinks and carbonated waters, and wine.

SANITARY LANDFILL TAXES

All sanitary landfill taxes are reportable on one consolidated Sanitary Landfill Tax Return (Form SLT-5).

The Consolidated Sanitary Landfill Tax Return (Form SLT-5) must be filed by the 20th day of the month following that in which tax liability was first incurred and monthly thereafter.

LANDFILL CLOSURE AND CONTINGENCY TAX

(N.J.S.A. 13:1E-100 *et seq.*)

The Landfill Closure and Contingency Tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal.

The Act also requires the sanitary landfill facility owner or operator to establish an escrow account, administered by the New Jersey Department of Environmental Protection, and to deposit into the account \$1.00 per ton of all solid waste accepted for disposal.

SOLID WASTE SERVICES TAX (N.J.S.A. 13:1E-138a)

The Solid Waste Services Tax is levied on the owner or operator of every sanitary landfill facility in New Jersey on all solid waste accepted for disposal.

The revenue collected from the Solid Waste Services Tax will be

deposited in the Solid Waste Services Tax fund to be administered by the New Jersey Department of Environmental Protection.

PETROLEUM PRODUCTS GROSS RECEIPTS TAX

(N.J.S.A. 54:15b-1 *et seq.*)

The Petroleum Products Gross Receipts Tax imposes a tax on (a) the gross receipts derived or gallons sold from the first sale of petroleum products made to points in New Jersey, and (b) the dollar consideration given or contracted to be given for petroleum products imported or caused to be imported for use or consumption within New Jersey.

Receipts from (a) the sale of home heating oil and propane gas used exclusively for residential use, and (b) the sale of petroleum products to governmental entities and exempt organizations are exempt. This exemption does not extend to home heating oil and propane gas for commercial use.

Monthly remittances (PPT-41) and Quarterly reconciliation returns (PPT-40) are required to be filed no later than the 25th day of the month following the end of the month the tax was collected.

TOBACCO PRODUCTS WHOLESALE SALES AND USE TAX

(N.J.S.A. 54:40B-1 *et seq.*)

The Tobacco Products Wholesale Sales and Use Tax is imposed on sales of all tobacco products (excluding cigarettes as defined in N.J.S.A. 54:40A-2) by a wholesaler or distributor.

Distributors and wholesalers who also sell tobacco products at retail or otherwise use the tobacco products must pay a compensating use tax on the wholesale sales price of the products.

Monthly returns (TP-20) are required to be filed no later than the 20th day of the month following the month the tax was collected.

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of Environmental Protection, and to deposit into the account \$1.00 per ton of all solid waste accepted for disposal.

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OUTDOOR ADVERTISING FEE (BILLBOARDS)

(N.J.S.A. 54:4-11.1 *et seq.*)

Effective July 2, 2003, the law imposed a 6% fee on the gross amounts collected by a retail seller for the placement of an ad on an outdoor advertising sign (billboard). The fee is imposed on the retail seller, which includes licensees and permit holders authorized by the New Jersey Department of Transportation to sell advertising space on an outdoor advertising sign. The return (OA-100), which is available on the Division's website under Forms, Miscellaneous Forms, must be filed quarterly.

DOMESTIC SECURITY FEE (N.J.S.A. App. A:9-78)

The Domestic Security Fee Act, imposes a \$2.00 per day fee on motor vehicle rental companies for each day or part thereof that a motor vehicle is rented for the transportation of persons and non-commercial freight, for a period of not more than 28 days. The fee, which must be designated as the "Domestic Security Fee" in the rental agreement, is separate from and in addition to any sales tax imposed on the rental transaction and is not to be included in the receipts subject to sales tax liability assessed pursuant to the "Sales and Use Tax Act," P.L. 1966, c.30 (C.54:32B-1 *et seq.*).

The fee must be reported on return form DSF-100 which is filed telephonically or by using an internet based application on the Division of Taxation website. The quarterly return must be filed whether or not there are any fees due for the quarter. See the Technical Bulletin on this fee at: www.state.nj.us/treasury/taxation/publtb.htm